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Bermuda

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I. General

1. Bermuda[1] is located in the western part of the Atlantic Ocean about 917 kilometres east of Cape Hatteras on the North Carolina coast of the United States of America. It is named after the Spanish navigator, Juan de Bermudez, who first discovered it in 1503 and mapped the islands. In 1612, when it was known as the Somers Isles in commemoration of Bermuda's British founder father and colonizer, Admiral Sir George Somers who had landed there in 1609, the Bermudians were in the third charter of the Virginia Company. The charter was revoked in 1684 and Bermuda became a British crown colony.

2. The Territory has a total area of 53.35 square kilometres and consists of 150 islands and several islets extending from north-east to south-west along the edge of an extinct, submarine volcano. Many of the islands are connected and rise above sea level to an average height of 30 metres and a maximum elevation of 86 metres. The terrain is generally hilly, with fertile depressions and some marshy areas. The largest island is about 22.5 kilometres long and 3.2 kilometres wide. It covers an area of about 3,650 hectares, consisting mostly of a fertile, shallow valley.

3. According to July 1997 estimates, Bermuda had a population of 62,569, of which 61 per cent were of African descent and 39 per cent comprised Whites and others. The last official census, taken in 1992, placed the population at 60,075.

II. Constitutional and political developments

A. General

4. Bermuda is administered by the United Kingdom of Great Britain and Northern Ireland and is its oldest remaining colony. Governors are appointed by the Queen and the Government of the United Kingdom after consultation with the Premier of Bermuda. In June 1997, Queen Elizabeth II appointed John Thorold Masefield as the Governor of Bermuda.

5. The Constitution of Bermuda, adopted in June 1968 and amended in 1973, 1979 and 1989, contains provisions relating to the protection of fundamental rights and freedoms of the individual; the powers and duties of the Governor; and the composition, powers and procedures of the Legislature, the Executive, the judiciary and the public service. The United Kingdom remains responsible for defence, external affairs and internal security.

6. Bermuda has a parliamentary system of government. The Government of Bermuda comprises a Governor, a Deputy Governor, a Cabinet and a bicameral Legislature with a House of Assembly of 40 directly elected members and a Senate of 11 appointed members. Five members of the Senate are appointed by the Governor, on the advice of the Premier, three on the advice of the leader of the opposition and three by the Governor at his discretion. The 40-member House of Assembly is directly elected for a maximum term of five years. The House is 379 years old and only the legislative assemblies of the United Kingdom and of Iceland are said to pre-date it.

7. The Governor, who is appointed by the British monarch as noted above, is responsible for defence, external affairs, internal security and the police. He delegates some responsibilities in these areas to the territorial Government. In exercising his reserved powers, the Governor is required to consult with the Governor's Council, of which he is Chairman, and of which the Premier and two or three Cabinet ministers nominated by the Premier, are members. The Premier, newly elected Jennifer Smith of the Progressive Labour Party (PLP), and her Cabinet, through the Legislature, have full responsibility for the Government, except where restricted by the Governor's reserved powers. The Secretary of the Cabinet, appointed by the Governor in accordance with a recommendation by the Premier, heads the public service and also acts as Secretary to the Governor's Council.

8. As a crown colony, Bermuda has no independent international relations at the political level. It maintains a 700-strong Defence Regiment; the male adult population is subject to military conscription, involving three years' part-time liability for weekly drills and an annual camp. It has a police force of approximately 450 full-time officers and several hundred part-time police reserves. The Regiment helps the Bermuda Police maintain law and order over the 21 square miles of territory.

9. It is estimated that the Government of Bermuda employs more than 14 per cent of Bermuda's entire working population. It has 9 appointed parish councils, 2 elected municipal corporations and 108 government boards. It also pays the salary of the Governor.

10. Bermuda's law and legal system are based on the United Kingdom model; the ultimate court of appeal is the Privy Council in the United Kingdom.[2]

B. Political parties and elections

11. There are three political parties in the Territory: the United Bermuda Party (UBP), the National Liberal Party (NLP) and PLP. The Premier is chosen from the majority party and heads a cabinet of no more than 14 members of the legislature.

12. In the most recent general election in Bermuda, held on 9 November 1998, PLP, led by Jennifer Smith, won a majority of 12 seats in the territorial legislature, defeating UBP and taking power for the first time in the 35 years since the party system began in 1968. The next election is due by October 2003.[2]

13. Press reports indicate that the PLP victory was attributed largely to the party's shift from the left to a more centrist stance. PLP has reportedly said that it will promote more social programmes for Bermudians and pursue the key issues of education and training, the hiring and promotion of Bermudians in the workforce and the provision of affordable housing.

III. Activities related to the withdrawal of military bases

14. Until September 1995, the United States of America maintained a naval air station in Bermuda; its evacuation released an area of land amounting to 10 per cent of the Territory's total area. Information on activities related to the withdrawal of the military bases during 1993 and 1994 is contained in previous working papers on the Territory prepared by the Secretariat (A/AC.109/1189, paras. 31–35, and A/AC.109/2020, paras. 10 and 11). It will be recalled that, in October 1995, Grant Gibbons, the then Minister of Finance, announced the closure of the following military bases and/or installations in the Territory: the United States Naval Air Station at St. David's, the United States Naval Annex and Tudor Hill facility at Southampton; and the former Canadian Forces Station at St. Daniel's Head. He warned that the withdrawal of those military bases would result in an annual loss by the Territory of approximately US$ 50 million in the foreign currency earnings that had originated from the operation of those bases. The Minister further unveiled a long-term plan for the utilization of the land transferred to the jurisdiction of the territorial Government as a result of those closures. The plan includes the following development projects: a golf course and other tourism-related developments, a commercial fisheries centre, a technology park, an educational and research centre, a public marina and recreation facilities. It is expected that the implementation of the plan could create an additional 3,000 jobs in Bermuda. The Bermuda Land Development Company, a quasi-government agency, is managing the projects (A/AC.109/2041, paras. 8 and 9). The cost of refurbishing the former United States base is being borne by the Government through the Bermuda Land Development Company, which was set up in 1996 after the British, United States and Canadian military forces pulled out of their respective bases.

15. The closure of the United States military bases has left a significant environmental problem which relates to asbestos that was used in the base buildings and other facilities. Asbestos is being removed from the buildings that are being demolished. It is reported that Bermuda is holding some 525 20-ton shipping containers full of asbestos.

16. The environmental situation is unique in many respects. The land of the former base also poses a problem of soil and groundwater pollution. Land is obviously scarce, freshwater resources are very limited, and storage capacity for hazardous waste disposal does not exist. It is one of the most northerly coral reef areas, making the marine environment surrounding the island extremely fragile as well. In addition, industrial waste and raw sewage that were disposed of in Bassetts's Cave over time will pose a threat to parts of the Territory's water system, unless they are removed. Underground and above-ground petroleum storage tanks — many in poor condition — are leaking into surrounding soil and groundwater. Landfills left behind are also causing environmental problems.

17. Bermuda's previous Government had tried without success to get the United States to pay to clean the polluted sections of the former bases. It had asked for $55 million but was reportedly advised that the pollution did not pose a "known imminent and substantial danger to human health and safety". The United Kingdom and Canada have contributed to cleaning up their former bases. The United Kingdom will also back Bermuda's request for the United States to pay for the cost of cleaning up the pollution it left behind.

18. According to media reports, the new Government of Bermuda has resumed communication with the Government of the United States regarding this issue. The Government has invited United States lawmakers to Bermuda for a first-hand look at the pollution problems faced at the old United States naval instalments.

IV. Economic conditions

A. General

19. Bermuda has no natural resources, in the conventional sense, upon which to build a viable economy. It has historically capitalized on its location and scenic beauty and has developed a renowned tourist industry, which continues to be an important component of the territorial economy. The international business industry also makes an important contribution to the economy of Bermuda, bringing in large amounts of foreign currency. Other earnings are derived from shipping, investment income and other goods and services.

20. Manufacturing and agriculture exist on a limited scale and therefore contribute little to the economy of Bermuda. The local manufacturing sector includes printing, fish processing and ship repair, as well as the manufacture of paint. In recent years, there have been attempts to attract high-technology companies to Bermuda in an effort to develop in the Territory a centre for information technology. Agricultural activity is constrained by the small amount of land available for farming.

21. According to Economist Intelligence Unit estimates, during 1998 Bermuda's rate of inflation was 2.0 per cent. The gross domestic product (GDP) per head, considered one of the highest in the world, rose to $2,433. Real GDP growth was 2 per cent. Government revenue for the financial year ending 31 March 1998 rose by 8.4 per cent to $517.5 million and expenditures rose by 5.9 per cent to $524.1 million. As a result, the fiscal deficit narrowed to 0.3 per cent of GDP. The most significant increases in government revenue came from payroll tax and customs duty, an indication of higher employment and increased consumption in the local economy. Significant increases in expenditure were recorded in education, health and social services.

22. As a policy, successive budgets have increased a variety of taxes and fees for government services; a capital gains tax on property sales by non-Bermudians was introduced in 1995. There is no income tax, and customs duties account for about 35 per cent of government revenues; other significant revenue sources are company fees, land and stamp taxes, employment tax, a hospital levy, vehicle licence fees and taxes on hotel occupancy, passenger departures and cigarette sales. On the expenditure side, recent years have seen an increasing stress on improving the competitiveness of the tourism sector and enhancing the skills of Bermudians.

23. Bermuda's heavy dependence on imports, overwhelmingly from the United States, and the currency's peg to the dollar mean that inflation has followed the United States pattern.[2]

B. Public finance

24. The PLP Government's first budget, presented in February 1999, is designed to implement its plan of social and economic reconstruction. According to the Government, the budget is designed to assure confidence in the business community; it increases revenue without raising taxes, and at the same time it promises prudent investment in some of the social needs of the community, particularly in housing, education, health and public security.[3]

25. The new Government inherited a robust economy, with a GDP of $2,339 in 1997, and $2,433 in 1998,[4] showing a growth of 3 per cent in 1997 and 2 per cent in 1998. The Government forecasts a nominal 4 per cent growth in GDP in 1999/2000, with 2 per cent inflation.

26. In presenting a budget that broke through the half-billion dollar mark (the estimated revenue for 1999/2000 is expected to total $551.6 million),[3] the new Finance Minister said that expenditures would be focused on improving the quality of life for all Bermudians. More than $511 million was to be spent out of the country's current account, which is about $36 million more than the last projection. Income was set to go up mainly as a product of the Territory's booming offshore sector, to $550 million, an increase of $20.3 million over the 1998/99 budget. The bulk of the new cash would go to education (22 per cent of the budget) and training, health and social services (31 per cent), with lesser amounts going to law and order and to easing the housing crisis. The Government has been criticized for not pursuing a more progressive tax policy.

27. According to the Finance Minister, tourism and international business remain Bermuda's primary sources of foreign exchange earnings. However, tourism levels were falling below expectations. Despite volatile financial markets, growth in international business continued in 1998 and new registrations brought the total number of companies on the international register to 10,556 by the end of the third quarter of 1998. During 1997, the number of international companies with a "physical presence" had increased by 26, to a total of 327.

28. Bermuda continues to have a low and stable rate of inflation, which fell by 2 per cent over the first three quarters of 1998. The 1998 employment survey indicates that the rate of job creation in Bermuda is slowing down; it shows a net increase of 108 jobs whereas the 1997 survey reported an

increase of 663. International companies registered the largest increase in employment, followed by business services and the construction industry. However, hotel employment has fallen, as have jobs in restaurants, bars and cafes.

29. The current balance-of-payments account registered a record surplus of $174 million in 1997 and another current account surplus is expected for 1998. At the end of the second quarter of 1998, the current account had already recorded a $91 million surplus. In addition to the rapid growth in foreign exchange earnings of international businesses, investment income was becoming a significant contributor to the current account surplus.

30. The new Government is due to conduct a review of the tax system. A consultancy report on the tax structure commissioned by the previous UBP administration has still to be released.[4] PLP has pledged not to institute a system of income taxes, and has dropped a previous proposal to widen the tax base to include a tax on investment income earned by individuals. As a means of instilling confidence among the business community, the Government will extend by another four years, to 2020, the act that governs international businesses and protects them from taxation.

31. According to some analysts, the threat by the European Union, the Organisation for Economic Cooperation and Development and the Group of 7 to take action against unfair tax competition in offshore Territories is expected to cast a shadow over Bermuda's financial sector. Bermuda was expected to send delegates to OECD in May to present its case. In the White Paper released in March 1999 (see para. 89 below), the United Kingdom Government would offer full citizenship to its "Overseas Territories" while at the same time pressing the Territories to comply with certain international financial standards.

C. Banking

32. Foreign banks are not allowed to operate in Bermuda; as a result, local banks benefit from a quasi-monopoly in handling lucrative international business operations for offshore clients.

33. The Bank of Bermuda, founded in 1889, is ranked as the world's 684th largest bank and the Bank of Butterfield is ranked 795th. A third bank, Bermuda Commercial Bank, founded in 1969 and the only bank owned by Bermudians of African ancestry, was acquired in 1993 by First Curação International Bank based in the Netherlands Antilles. The central bank, the Bermuda Monetary Authority, was established by the Bermuda Monetary Act, 1969.

D. International business

34. The contribution made by international business companies to Bermuda's economy continues to be an important factor of the economic welfare of the Territory. However, it is reported that the international business community is concerned that the implementation by PLP of its social agenda and its wish to introduce a contributory unemployment insurance programme could make Bermuda a more expensive business location. The intention of PLP to raise the proportion of nationals employed by international companies could restrict the granting of work permits to foreigners. The employment of foreign workers, who make up 19 per cent of the total workforce, is a major source of local resentment.

35. Bermuda is one of the world's leading offshore financial and business centres, a leading world captive insurance centre and a favoured venue for specialist companies operating as financial reinsurers covering international companies against the cost of legal awards. The growth of this sector in Bermuda is attributable mainly to increasing rates for international reinsurance in Europe and North America, as well as to the Territory's financial regulations and the absence of a tax on profits, dividends or income.

36. Growth in the international business sector is powered by insurance, reinsurance and financial sector companies. The foundations for Bermuda's insurance industry[5] were laid shortly after the Second World War. United States corporations realized they could save money with a paper device known as a captive insurance company, which enables a corporation to effectively sell itself insurance and deduct the premiums from its taxable income. Many United States corporations began registering their captives in Bermuda and today it is reputed that there are roughly 1,400 captives in Bermuda, more than anywhere else in the world.

37. According to some professional assessments, Bermuda has grown to become "a convenient extension" of the United States insurance industry, and one that has generally managed to "steer clear of money laundering, drug smuggling and most of the fly-by-night financial scams that have tarnished other so-called tax havens".[5]

38. According to a survey of trends in the industry by Swiss Re, Bermuda-based insurers have taken a 5 per cent, or $6 billion, share of the global market. According to an

annual study by Tillinghast-Towers Perrin, Bermuda continues to lead the world in attracting new captive insurance formations. Some 94 new insurance licences were issued by Bermuda in 1998; of those about 63 were to new captives.

39. As Bermuda's tourist industry has seen a decline over recent years, the economic balance has reportedly tipped in favour of insurance and related businesses, which, during the most recent fiscal year, pumped $757.6 million into Bermuda, compared with $472.3 million from tourism. The Bermuda International Business Association is reportedly working with the Government to put forward changes in the island's legislation that will help attract more insurance companies.

40. Bermuda maintains a substantial shipping register, which ranks as the fifth largest in the world, and now outstrips tourism as a foreign-exchange earner and contributor to government revenues.

41. The 27-year-old Bermuda Stock Exchange continues to promote itself as an offshore jurisdiction for listing companies. At the end of 1998 it had 251 listed securities, including 170 funds, 13 trading members and 4 listing sponsors. Total trading volume was in excess of $27 billion. It is in the process of switching to a new electronic trading system.[4]

42. The Standard and Poor's credit-rating agency has confirmed its AA long-term, foreign-currency, sovereign credit rating for Bermuda. The outlook remains stable and is based on the Territory's achievements in attracting and retaining offshore financial services companies, including insurance and investment management companies.

E. Communications and transport

43. According to professional analysts, the transport and telecommunications infrastructure is of a high standard, which reflects the high income level and requirements of the main economic activities. The Territory continues to be an attractive location for innovative international telecommunications firms.[4]

44. The international telecommunications system was recently liberalized. Since May 1997, the long established monopoly of Cable and Wireless has been challenged by the newly licensed TeleBermuda International. The Bermuda Telephone Company is the main provider of local calls. In 1998, a new competitor, Quantum Communications, began providing data services.

45. Project Oxygen, which has established its headquarters in Hamilton, is building a $10 billion global fibre-optic network that aims to lower global telecommunications costs. Global Crossing, a United States telecommunications company, based its headquarters in Bermuda in 1998.

46. The Bermuda Broadcasting Company operates two commercial television stations and four radio stations. A third television channel and three radio stations are operated by the De Fontes Broadcasting Company. *The Royal Gazette* is the only daily newspaper and there are two weekend newspapers, one of which also publishes a mid-week edition.

47. Airport services are reported to have improved considerably in recent years. There are regular and well-established services between Bermuda and the United States and to the United Kingdom. Hamilton serves as the main port in the Territory and supports container facilities, whereas port services are provided at St. George's and Ireland Island, a free port.

48. Bermuda has a good network of public and private roads that can support car, lorry and tanker traffic. However, it is totally dependent on imported oil energy. Its electricity capacity is thermal-diesel or gas-turbine. Electricity production and distribution are the responsibility of the Bermuda Electric Light Company.

F. Tourism

49. Tourism continues to constitute a major sector of the territorial economy and a principal source of foreign exchange. However, it has undergone a steady decline since the 1980s. Bermuda has an upmarket image and the absence of casinos and gambling makes it less attractive to the mass market.

50. The new Government has pledged to revitalize the tourist sector, and will aim its efforts at preparing for a year 2000 business plan. It has restructured the Tourism Board and formed a new National Tourism Action Group. Based on an initial study carried out by the Monitor Company under the Tourism Competitiveness Programme which was launched in 1997, Bermuda plans to initiate programmes to restore the Territory's tourism industry, with the support of the commercial and business community (see A/AC.109/2109, para. 45).

51. The Government has allocated over $35 million to the Tourism Department in the new budget. The new Minister for Tourism has outlined a programme to launch a marketing and advertising campaign, boost entertainment in hotels, improve hospitality and information facilities for visitors,

introduce duty-free shopping for tourist merchandise, provide incentives for large and small guest properties and increase the promotion of the island in the United States, Europe and Latin America. It is negotiating fly-cruise packages with cruise lines and hotels to bring in a new era of tourism to Bermuda.

52. One of the Territory's largest hotels is expected to close down at the end of the summer 1999 while at the same time there are calls for new hotels, better training for hotel staff and more attractions to existing resorts to boost tourism.

53. Although Standard and Poor's is not too optimistic about a revival in this industry, according to the Economist Intelligence Unit, the decline is bottoming out.[6] Actual room nights sold for the first nine months of 1998 were 5.31 million compared with 5.21 million during the same period in 1997. In the first eight months of 1998, hotel occupancy rates rose from 60.1 to 62.3 per cent. The average length of stay climbed by 2.1 per cent to 4.33 nights in the same period. Visitor spending jumped by 7.5 per cent in the second quarter to an average of $1,373 per person. Indicating divergent trends, air arrivals fell by over 2 per cent for the first nine months of 1998 and overall air and cruiseship arrivals were down 1.3 per cent compared with 1997, while cruiseship arrivals continued to grow. The new initiative for weekend cruises and cruise-and-stay tourism through Norwegian Cruise Lines is expected to improve hotel occupancy in the future.

54. The Government is also looking to increase the number of airlines that serve the Territory; so far, British Airways and four United States airlines bring visitors to Bermuda. However, it has been hampered by the fact that the United Kingdom controls all airline agreements affecting the Territory; this matter is currently under review.[7]

V. Social conditions

A. Race and gender issues

55. It will be recalled that, in his statement of 5 November 1993 (see A/AC.109/1189, para. 75), the Governor had announced the creation of a new Ministry of Human Affairs to deal with racial discrimination in the community and to work with all concerned towards its elimination. Detailed information regarding this was outlined in document A/AC.109/2109, paras. 49 and 50.

56. The Commission for Unity and Racial Equality Act 1994 was enacted by the legislature and the Commission was established the following year. The Commission is actively involved in working with individuals, employers, unions and institutions to promote better race relations through education and social programmes aimed at changing behaviours and improving attitudes on racial issues.

57. It is reported in the press that the PLP Government intends to amend the Act to make the code of practice a legally binding document because it is too important an issue to be left to voluntary compliance. In January 1999, the Government announced that it would carry out a survey in the next few months which would target more than 500 firms with a special questionnaire. The Commission would first provide a series of workshops on equal opportunity practices. It would emphasize the problems of racism and discrimination in the workplace and work to create a better environment in business, prior to reviewing the code of practice. The questionnaire is to be sent to companies with 10 or more employees and the intention is to monitor their progress thereafter.

58. According to media reports, in June 1998, a group called Citizens Uprooting Racism in Bermuda (CURB), an amalgamation of various organizations, including the Human Rights Commission, the National Association for Reconciliation, Amnesty International and the Commission for Unity and Racial Equality, organized a debate that was attended by 600 Bermudians representing a cross-section of races.[8] As an outcome of the debate, CURB made several recommendations, including the following:

(a) The Human Rights Commission should publish a register of jobs held by non-Bermudians and the related work permit expiry dates;

(b) Companies should be encouraged to reassess the benefits provided to non-Bermudians that are not available to Bermudians;

(c) An examination should be made of the issue of Whites releasing power and the legacy of the "old boys network";

(d) One school system should be established and private schools abolished, in order to provide all Bermudians with the same opportunities;

(e) Recognition should be given to Blacks in history and Bermudian history should be taught in schools;

(f) Blacks should stop using racism as an accusation when being legitimately disciplined;

(g) The Government should publicly acknowledge the racist policies of the past and make an apology to Blacks;

(h) Guest workers should train Bermudians and then leave.

59. The press reported that some observers were advising caution in reading a report based on 600 people. In general, press commentators conceded that some of the recommendations were valid and went to the core of Bermuda's racial problems and were an indication that the issues raised were a matter of concern that needed to be discussed and addressed further.

Human rights

60. Bermuda is covered by the following human rights conventions, pursuant to their accession by the United Kingdom:

(a) Convention on the Prevention and Punishment of the Crime of Genocide, acceded to by the United Kingdom on 30 January 1970;

(b) International Covenant on Economic, Social and Cultural Rights, signed and ratified by the United Kingdom on 16 September 1968 and 20 May 1976, respectively;

(c) International Covenant on Civil and Political Rights, signed and ratified by the United Kingdom on 16 September 1968 and 20 May 1976, respectively;

(d) Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, signed and ratified by the United Kingdom on 15 March 1985 and 8 December 1988, respectively; Bermuda was included on 9 December 1992;

(e) Convention on the Rights of the Child, signed and ratified by the United Kingdom on 19 April 1990 and 16 December 1991, respectively;

(f) International Convention on the Elimination of all forms of Racial Discrimination, signed and ratified by the United Kingdom on 11 October 1966 and 7 March 1969, respectively; covers Territories under the territorial sovereignty of the United Kingdom;

(g) Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty, signed by the United Kingdom on 31 March 1999.

Gender issues

61. Bermuda is not a signatory to the Convention on the Elimination of All Forms of Discrimination against Women or the United Nations Declaration on the Elimination of Violence against Women. Once ratified by the United Kingdom, United Nations conventions can be applied to Bermuda upon request. The Convention on the Elimination of All Forms of Discrimination against Women was ratified by the United Kingdom in 1986. Three British Dependent Territories requested that the Convention be applied to them but Bermuda was not one of them. Currently, Amnesty International is trying to get at least 10,000 signatures to a petition in Bermuda, to be handed over to the Premier. It is hoping to get support from businesses and charitable organizations for its campaign.

62. According to press reports,[9] the previous Government had changed the name of the Women's Advisory Council to "The Bermuda Family Council". This reportedly was done without sufficient consultation with women's groups within the community. Concern has been voiced in the media by various women's advocacy groups who see this as a change in focus away from women's issues by the Government. Others have voiced cautious optimism about the shift in focus, which broadens the mandate of the Council. Alternatively, it has also been suggested that a family council should be established in addition to and not instead of a women's council.

63. While assuring women that the Council would not lose any focus despite the shift from women only to the family, the Health and Social Services Minister has announced the setting up of a task force to consider how to improve the plight of many young male African-Bermudians. The Council would promote a positive environment which would address the needs of families in the home, school, workplace and the broader community.[10] The project was to be one of the main priorities for the new Bermuda Family Council.

B. Labour

64. According to a 1997 employment survey, the number of jobs grew by 2 per cent between 1996 and 1997, with employment growing particularly strongly in international companies and construction. Employment declined in hotels and the wholesale business.[11]

65. Traditionally, the bulk of management and professional jobs in Bermuda have been held by White males. The survey showed that Whites were three times as likely as Blacks to hold management and administrative positions and twice as likely to hold professional and technical jobs. Within the professional sectors there were signs that Blacks were making headway as they took up half the new positions, whereas they held only 42 per cent of the jobs overall.

66. Although the number of Blacks holding jobs in the administrative and managerial sector increased by 6.1 per

cent, the proportion of jobs held by Blacks actually declined, from 30.5 to 30.3 per cent, as Whites took 64 per cent of the new jobs.

67. The new Government is expected to reveal a new immigration policy for long-term residents. It intends to issue a discussion document — a Green Paper — on long-term residents and would prepare a further White Paper to be tabled in the House.[12]

C. Public health and the environment

68. The Ministry of Health and Social Services continues to be responsible for all aspects relating to public health. Medical care is provided by private practitioners and three government health clinics. Fees are charged for hospital care, and medical insurance is compulsory for all workers. A hospital levy covers the cost of services rendered by the hospitals to children under 16 years of age. Indigent persons over 65 years of age pay 20 per cent of hospital costs.

69. The Government wants its health-care system to provide quality care as efficiently as possible. The 1999/2000 budget allocates $61.5 million to hospitals and another $14.4 million to health care. The additional $3.62 million over the previous year's budget includes provision for a detoxification unit to work with the new Drugs Court and funds to develop the Territory's fifth community group home for people with learning disabilities. Some of these funds are intended for redevelopment of rest homes for the elderly, a senior citizens' centre and a child-care programme for low-income families. A youth counselling programme is also to be set up under the National Drug Commission.

70. According to Health Department statistics, 12 people had died of acquired immunodeficiency syndrome (AIDS) by mid-1998, making the total so far 330, and 13 new cases were identified. Some 90 per cent of the deaths were of Blacks. Ten years ago, 90 per cent of AIDS cases in Bermuda were caused by intravenous drug use but now an increased percentage was occurring as a result of homosexual or heterosexual activities.

71. There has been a resurgence of concern over the return and spread of dengue fever which had been eradicated from Bermuda in the 1940s. Mosquitos are said to be flourishing in the central parishes and the Ministry of Health is seeking the public's help in destroying their habitat.

72. The PLP Government has passed a new green law, the 1999 Clean Air Amendment Act, which will ensure tougher emission standards and seek to lessen pollution from vehicle spray shops, dry cleaners and firms using gas and diesel pumps. The Environmental Authority is responsible for ensuring compliance.

73. Environmental officials hope to arrange a clean-up campaign to rejuvenate the Pembroke Canal which has been a pollution disaster area for nearly 100 years after becoming choked and stagnant with oil, chemicals and sewage.

74. The major environmental concern, however, remains the thousands of tons of asbestos left behind by departing military contingents. The asbestos dust was "safely" packaged but it could not be dumped at sea or buried underground. Some 525 containers full of asbestos at the Bailey's Bay quarry and at the old United States Navy base at South Side, St. David's, were constantly monitored by officials from the Environment Ministry. The Government has high hopes that the Government of the United States will provide financial assistance to clean up the asbestos and clear the ground of oil and heavy metals before the land can be redeveloped.

D. Drugs, criminal justice system and police

75. According to press reports, a recent survey conducted in 1997 by the National Drug Commission suggests that fewer students are using alcohol, tobacco or marijuana than in 1994. Current users of marijuana accounted for 14.1 per cent of students, down from 15.1 per cent in 1994, but up from 9.7 per cent in 1991. The decline among current users of alcohol is the most striking, falling from 52.9 to 26.3 per cent between 1991 and 1997. Tobacco use also fell slightly, from 15.1 to 14.1 per cent over the same period. This can be interpreted as evidence that the combination of educational and preventive programmes being pursued in Bermuda is proving effective.[13]

76. The newly appointed Chairman of the National Drug Commission hopes that the new Drug Court could start operating by the latter part of 1999. Its focus would continue to be drug prevention. He is committed to supporting changes in Bermuda's criminal justice system to affect the treatment of persons who come before the courts and who are in need of treatment for alcohol and drug abuse. The Commission is spearheading the second adult population survey, which will address the public's views on the implications of substance abuse for this community. The results should be available by mid-summer.

77. Media reports show there is renewed concern over the Territory's prison and justice system. There have been calls for a more enlightened approach to make it more effective. Alternatives to prison, rehabilitation and training, updating

of laws and regulations, the role of the Treatment of Offenders Board, public safety, investigation and information-gathering techniques and tools are some of the issues being debated and reconsidered, particularly after a number of high-profile cases of murder, sexual assault and armed robbery and a reported rise in crime.

78. The PLP Government has made the office of the Attorney General a political office and plans to create a new Director of Public Prosecutions. It is claimed that Bermuda has the highest density of police officers anywhere, with 21 police officers per square mile (see para. 8 above). It also has several hundred part-time police reserves. Some $35.7 million is budgeted for the police and $13.1 million for the prisons.[14]

VI. Educational conditions

79. Education in Bermuda is compulsory for all children from 5 to 16 years of age, and is free for students in the pre-school, junior, special and secondary government schools administered by Bermuda's Ministry of Education.

80. The Government was reported to have invested $6.2 million in new facilities for middle schools in 1997. The renovations are part of a two-phase plan, with most of the work expected to be done in the first phase over a five-year period. Middle school education will offer an expanded curriculum and will last for three years, with students moving on to the senior school for a four-year programme.[15]

81. Bermuda has a Public Schools' Code of Conduct embodied in the Education Act 1996, which is applied to all government schools and has its equivalent enforced in private schools.

82. There are no degree-conferring universities, and no business or law schools in Bermuda. The Government awards a number of scholarships each year to young Bermudians accepted at leading universities in the United States, Canada or the United Kingdom. Scholarships are also awarded by local banks, principal law firms and Bermuda-based international companies, to obtain university degrees or to enter the civil service, banking, business, insurance and legal firms in the private sector. Under the Bermuda Government's National Education Guarantee Scheme, begun in 1994, no Bermudian student with university potential is denied an opportunity for further education owing to a lack of funds. The Government provides education loans for university attendance with a generous pay-back period.[16]

83. Education has the second highest allocation in the 1999/2000 budget, with an increase of 11.2 per cent over the previous year, to $85.1 million. The Prime Minister, who also has the education portfolio, has promised to reduce class sizes, reduce pupil-teacher ratio to 15:1 by the start of the next school year, improve safety and security for pupils and staff, establish elected school boards and reinforce the important links of education through specially trained attendance officers. The Government has pledged to set up a national standard for pre-schools and to establish early intervention programmes for children with special needs.

84. The Government has decided to concentrate on training teachers to make the best use of technology. A private sector plan to expose all of Bermuda's public school students to "cutting-edge" technology could become part of the school curriculum by the start of the new school year. This is expected to be done in cooperation with three major universities in the United States.

85. A three-week study sponsored by the Bermuda Foundation for Insurance targeted education, tourism, international business and Government as the key areas for development. It singles out Black males as having a negative perception towards the international business industry and being attracted to "blue collar" jobs. According to the study, Bermuda should "not only focus on internal differences of nationality, sex, age or class, but should look to the future of the country ... and motivate Bermudians to get specialized education, international experience and build international relationships of trust and respect that will put Bermudians in global control of the Bermuda insurance industry" which, according to the Foundation, with some 3,000 employees, generates more than $100 million in assets.[17]

86. The report also urges increasing scholarship opportunities, extending Bermuda College from a two to a four-year programme, providing computer access for all primary and secondary-school students, and encouraging the study of second and third languages.

VII. Future political status of the Territory

A. Independence referendum

87. It will be recalled that, on 24 March 1995, the territorial House of Assembly adopted the Independence Referendum Act. On 5 April 1995, the bill was approved by the Senate. The referendum was held on 16 August 1995. According to the administering Power, 58.8 per cent of registered voters participated in the referendum, the results of which were as follows: 25.6 per cent voted in favour of

independence; 73.7 per cent voted against it and 0.7 per cent abstained. Following the referendum, Sir John Swan, Premier of Bermuda, resigned and was replaced by former Finance Minister David Saul (see A/AC.109/2020, paras. 31–40, and A/AC.109/2041, paras. 35–37).

B. Position of the administering Power

88. On 4 February 1998, the Secretary for Foreign and Commonwealth Affairs of the United Kingdom, Robin Cook, in a speech before the Dependent Territories Association in London, announced that in his first months as Foreign Secretary, he had set in motion a review of the United Kingdom's stewardship of the Dependent Territories. A summary of the principles and key issues contained in the proposal "to modernize" the United Kingdom's relations with the Territories is contained in document A/AC.109/2102, paragraphs 70–81.

89. In March 1999, the Government of the United Kingdom presented a White Paper to its Parliament, entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories". The text of the White Paper is set out in the annex to document A/AC.109/1999/1. Key recommendations are noted below:

(a) In future the Territories would be known as the United Kingdom Overseas Territories, in short Overseas Territories;

(b) British citizenship (and so the right of abode) would be offered to those people of the Overseas Territories who did not already enjoy it and who met certain conditions;

(c) Those who did not want to take it up would be able to remain British Dependent Territories citizens;

(d) British Overseas citizens would not be included in this offer, nor would it apply to people who owed their British Dependent Territories citizenship to links with the British Indian Ocean Territory or the Sovereign Bases on Cyprus;

(e) The offer of citizenship would be on a non-reciprocal basis (as far as the right of abode is concerned). No conditional links have been made between the offer and other obligations set out in the White Paper;

(f) Administrative and representational arrangements would include:

(i) Establishment of parallel Overseas Territories structures in the Foreign and Commonwealth Office and the Department for International Development;

(ii) The appointment of Baroness Symons as Minister with responsibility for the Overseas Territories;

(iii) The creation of an Overseas Territories Consultative Council to bring together British Ministers and the Chief Ministers of the Overseas Territories or their equivalents;

(iv) The designation of a First Secretary in the office of the Permanent Representative of the United Kingdom to the European Union as the point of contact for the Overseas Territories with the European Union;

(g) In terms of good governance, provision would be made for:

(i) Improved regulation of the financial service industries in the Overseas Territories to meet internationally acceptable standards and to combat financial crime and regulatory abuse;

(ii) Measures to promote greater cooperation with international regulators and law enforcers so as to share information and improve worldwide financial regulation;

(iii) Enhanced measures to combat drug trafficking and drug-related crime;

(iv) Reform of local legislation in some Territories to comply with the same standards of human rights as those existing in the United Kingdom with regard to capital punishment, judicial corporal punishment and consensual homosexual acts. If local action is not taken Her Majesty's Government would enforce the necessary changes;

(h) Measures for sustainable development would include:

(i) Partnership between Her Majesty's Government and the Overseas Territories to promote economic growth and self-sufficiency;

(ii) Confirmation that the reasonable assistance needs of the Overseas Territories would be a priority in the development programme;

(iii) Continued budgetary aid for Montserrat and St. Helena;

(iv) Strengthened procedures and guidelines on borrowing by the Overseas Territories;

(v) Enhanced policies, legislation and standards for the protection and management of the rich natural environment of the Territories;

(vi) Increased funds (£1.5 million over three years) to assist in creating and implementing integrated environmental programmes;

(vii) Agreement of an environmental charter between the United Kingdom and the Overseas Territories;

(viii) Technical support, training and cooperative schemes to build local capacity to manage and monitor the environment.

C. Position of the territorial Government

90. In September 1995, David Saul, then Premier of Bermuda, stated that "independence was water under the bridge" and that the "issue would not be raised again during the life of the current parliamentary session".[18] That position remained unchanged during the period under review.

91. However, with the publication of the White Paper, independence has resurfaced as an issue. There has been no official reaction to the White Paper as such up to the date of writing the present report. According to press reports, the initial reaction of the PLP Government was positive[19] whereas the opposition leader's reaction was to call for a referendum.[20] The White Paper is being debated and discussed in the public media and the press. According to a media poll a majority favoured receiving British passports. According to others, the White Paper is considered "divisive". There is some concern that if Bermudians do not choose to accept what is being offered, the United Kingdom will effect the changes it wants anyway. Some explain that the United Kingdom is under pressure to comply with the human rights conventions among other things, and others say the question of independence would have to be a subject for negotiations. According to some the document is considered a tremendous threat to the social and moral fibre of the community and a retrograde step that will now put the independence issue back on the table; others think it would expand opportunities for Bermudians. Further clarifications are being called for as the debate continues.

D. Action by the General Assembly

92. In a statement before the Special Political and Decolonization Committee (Fourth Committee) of the General Assembly, on 5 October 1998, the representative of the United Kingdom stated her Government's position towards its Dependent Territories (see also A/C.4/53/SR.3, paras. 18–24).

93. On 3 December 1998, the General Assembly adopted without a vote resolution 53/67 B, section III of which concerns Bermuda.

Notes

[1] The information contained in the present working paper has been derived from published information.

[2] The Economist Intelligence Unit, first quarter of 1998.

[3] *The Royal Gazette*, 20 February 1999.

[4] The Economist Intelligence Unit, country report on Bermuda, first quarter 1999.

[5] *The New York Times*, 28 April 1999.

[6] The Economist Intelligence Unit, NewsWire, 10 February 1999.

[7] *The Royal Gazette*, 6 March 1999.

[8] Ibid., 12 October 1998.

[9] Ibid., 2 October 1998 and 5 February and 8 March 1999.

[10] Ibid., 8 March 1999.

[11] Ibid., 8 January 1999.

[12] Ibid., 10 December 1998.

[13] Ibid., 13 January 1999.

[14] *The Royal Gazette* Web site: bermuda-online.org.

[15] *Bermuda Sun*, 18 July 1997.

[16] *The Royal Gazette*, 5 May 1998.

[17] Ibid., 21 July 1998.

[18] Ibid., 30 September 1998.

[19] Reuters, 17 March 1999.

[20] *The Royal Gazette*, 18 March 1999.

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Cayman Islands

Working paper prepared by the Secretariat

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I. General

1. The Territory of the Cayman Islands[1] is located some 180 miles west of Jamaica and about the same distance south of Cuba. It comprises three islands: Grand Cayman (76 square miles), Cayman Brac (some 90 miles to the north-east) (15 square miles) and the adjacent and largely undeveloped Little Cayman (11 square miles). In the last census, conducted in 1989, the total population was recorded as 25,355, the majority of whom lived on Grand Cayman, with some 1,500 on Cayman Brac and some 30 on Little Cayman. The 1997 population estimate was 36,600, an increase of about 5 per cent over 1996.

2. Just over half of the residents (13,202, or 52 per cent) reported in the 1989 census that they had been born in the Cayman Islands. The second most common country of birth was Jamaica, accounting for 4,829 residents. Overall, the cosmopolitan nature of the population is well illustrated by the fact that some 120 different countries of birth outside the Cayman Islands were recorded in that census. Currently, native-born Caymanians are estimated to comprise 58 per cent of the population.

II. Constitutional and political developments

3. According to information provided by the administering Power, the present Constitution came into effect on 22 August 1972, and provides for the Government of the Cayman Islands as a colony under the sovereignty of the United Kingdom of Great Britain and Northern Ireland.[2] A motion was passed by the island's legislature in 1990 to review the Constitution. The amendments proposed as a result of the review came into effect in 1994. They included the adoption of a ministerial system of government and the addition of a fifth elected member to the Executive Council. In 1992, elected membership in the Legislative Assembly was increased from 12 to 15. This change was also in line with the results of the constitutional review. Elections for the Legislative Assembly were held on 17 May 1999.

4. In brief, under the revised Constitution of 1994, the Governor, who is appointed by the British monarch, is responsible for external affairs, defence, internal security and public service. The Governor is the Chairman of the Executive Council, which comprises three members appointed by the Governor and five members elected by the Legislative Assembly. Constitutionally, the Executive Council is responsible for the administration of government. The Legislative Assembly comprises 3 official members designated in the Constitution and 15 members elected by universal adult suffrage for a period of four years. Since 1991, a Speaker has been elected to preside over the Assembly.

5. The judicial system is based on British common law, certain British statutes and local statute law. The administering Power states that the independence of the judiciary is an integral component of the economic, social and political stability in the Cayman Islands. There are three levels of courts in the Cayman Islands: the Summary Court, the Grand Court and the Cayman Islands Court of Appeal. Appeals from the Summary Court are heard by the Grand Court and appeals against Grand Court decisions go before the Cayman Islands Court of Appeal. The final right of appeal from a Grand Court decision is to the Privy Council in London, which does not deliver a decision , but advises the Secretary of State about the merits or otherwise of individual appeals. Unlike many other British Territories, lawyers in the Cayman Islands may both interview clients and appear on their behalf before the Grand Court (attorneys practice as both solicitor and barrister).

6. During the period under review, the administering Power proposed to modernize its relationship with its Overseas Territories. The proposal was presented to Parliament in March 1999 in a White Paper entitled "Partnership for progress and prosperity: Britain and the Overseas Territories". The White Paper is set out in the annex to document A/AC.109/1999/1. It is summarized in section IV below.

7. Key developments in the Territory during 1997 included:

(a) The opening of the Cayman Islands Stock Exchange in January;

(b) The beginning of operations of the Cayman Islands Monetary Authority as the agency responsible for supervising and regulating the Territory's financial sector;

(c) Hosting of the Government's first international conference on commercial crime prevention. Over 150 delegates from the Territory and from overseas, including Michael Foot, Executive Director for Financial Stability at the Bank of England, participated;

(d) The launching in October of the Schools' Inspectorate, an independent body funded by the Ministry of Education to monitor and improve the quality of education on all three islands;

(e) The appointment of the first woman to a ministerial post, when Julianna O'Connor-Connolly was

named Minister for Community Affairs, Sports, Women, Youth and Culture.

III. Economic conditions

A. General

8. According to the administering Power, the economy of the Cayman Islands grew by 5.5 per cent in 1997 to reach CI$ 568.8 million (at 1986 constant prices).[3] The consumer price index was 2.7 per cent.

9. Regarding public finance, total government revenue for 1997 was CI$ 243 million, which included recurrent revenue of CI$ 217.7 million and loan income of CI$ 25.4 million. Government expenditure in the same period was CI$ 246.2 million, including CI$ 1 million transferred to the general reserve. The deficit for the year was CI$ 3.1 million. There was, however, a surplus of CI$ 5.8 million brought forward from 1996, creating an overall budgetary surplus of CI$ 2.7 million at the end of 1997. The general reserve balance at that time was CI$ 8.9 million.

10. According to press reports, in early 1999 lawmakers passed a budget of recurrent and statutory expenditure of CI$ 263 million, and recurrent revenue of CI$ 283.2 million. New borrowing is expected to total CI$ 26.0 million; capital acquisitions were budgeted at CI$ 9.2 million and capital expenditure at CI$ 42.5 million. Taking into account previously accumulated surpluses and contributions to reserves and pension funds, the budget shows a surplus of CI$ 4.5 million.[4]

11. The Territory had a negative balance of trade in 1997 of CI$ 356.8 million. Non-fuel imports were worth CI$ 358.6 million and exports were worth CI$ 1.8 million. Customs revenue reached a record level of CI$ 86.4 million.

B. Tourism

12. The tourism sector dominates the Caymanian economy, accounting for about 70 per cent of the gross domestic product and 75 per cent of foreign currency earnings. The Government's Department of Tourism is charged with supporting the local industry and planning its development. The department markets the island overseas through publicity campaigns and the maintenance of offices in several foreign countries. It also undertakes training programmes for the industry, and carries out licensing and regulatory functions.

13. The importance of tourism to the local economy has increased steadily over the past decade. The most recent statistics confirm the upward trend, showing increases in both stayover visitors and cruise ship arrivals. In 1998, stayover visitor arrivals numbered 404,205. This represented an increase of 6 per cent over the 1997 total of 381,192. The total marked the fifth consecutive annual increase and the first time that arrivals had exceeded 400,000. At the same time, cruise ship passenger arrivals totalled 852,527, a decline of 1.6 per cent from the 1997 total of 866,609.[4] The leading market for stayover tourism continued to be the United States of America, with 295,175 visitors in 1998, a gain of 5.9 per cent over the previous year. Total tourist arrivals increased by 76.5 per cent since 1991. During that period, cruise ship arrivals increased by 79.6 per cent and stayover visitors increased by 70 per cent.[5]

14. As a result of a government decision to ban cruise liners from docking on Sundays, Good Friday and Christmas day, 70 fewer cruise ships were expected to call in 1999, leading to an estimated loss of 120,000 passengers and US$ 7.5 million.[6] Early 1999 figures have not borne out these expectations, however. Cruise ship visits in February 1999 were up by 18.9 per cent over the same period in 1998. A total of 96,835 cruise ship visitors landed in February 1999, compared with 81,475 for the same period in 1998. As of April 1999, total cruise ship arrivals were up by 21 per cent compared with the same period in 1998.

15. On the other hand, stayover visits were down 6.1 per cent from 37,333 in February 1998 to 35,072 in February 1999. Leading the decline was a 9.7 per cent reduction in stayover visits from the United States, which represents 78 per cent of all visitors to the Territory.[7]

C. Financial services

16. Most of the Territory's non-tourism related income is generated by the financial sector, which makes up about 15 per cent of the gross domestic product. According to information provided by the administering Power, the Cayman Islands has become the fifth largest financial centre in the world, in large part owing to heavy activity in the banking sector.

17. The financial sector is regulated by the Cayman Islands Monetary Authority. This body, established on 1 January 1997, carries out the responsibilities previously assigned to the Financial Services Supervision Department and the Cayman Islands Currency Board. The Authority is chaired by the Financial Secretary. At 31 December 1997, the Authority's assets totalled CI$ 54.9 million, including

CI$ 29.8 million in certificates of deposit, CI$ 2 million in local fixed deposits and CI$ 17 million in the United States Federal Reserve's Overnight Repurchase Agreement Pool.

18. The Banking, Trust and Investment Services Division of the Authority is responsible for supervising banks, trust companies, mutual funds, fund administrators and company managers. The unified structure of this new division is expected to enhance on-site inspection of licence holders in the medium to long term. Banking, trust and investment activities on the island continued to grow in the year under review. Mutual funds grew by 26 per cent, from 1,335 in 1996 to 1,685 in 1997. A further 200 were registered in 1998, bringing the total to 1,895. Of these funds, the strongest growth in 1997 was in registered funds, which require a minimum subscription of US$ 50,000.

19. The total number of bank and trust licence holders rose from 577 at the end of 1996 to 594 at the end of 1997. Of these, there are now 30 "Category A" banks (banks entitled to transact local business), an increase of only 1 per cent over the previous year. During the period under review, the licence of First Cayman Bank, a "Category A" bank, was revoked by the Executive Council.

20. The Insurance Division is responsible for the supervision of all insurance companies: both those that operate locally and the "exempt" companies that only operate overseas. In the latter category, 31 new licences were granted, bringing the number of captive companies up to 449. By August 1998, there were 463 such companies, with combined assets of US$ 9.6 billion.[8] Most of Cayman's offshore insurance industry (83 per cent of all captives) emanates from the United States. No new licences were granted for companies to operate within the Territory. Currently, as in the previous period of review, 29 insurance companies operate in the Caymans.

21. The number of new company registrations rose by 8,321 in 1997, representing an almost 17 per cent increase over the previous year, and pushing the number of companies on the Company Registry to just over 41,000.

22. As noted in the previous working paper (A/AC.109/2102, para. 23) the Cayman Islands Stock Exchange opened in January 1997. The Exchange is a private limited company wholly owned by the Government of the Cayman Islands. The board of directors is composed of senior private-sector individuals. By the end of 1997, 36 offshore mutual funds had been listed on the Exchange. By July 1998, the number had increased to 107.

23. The importance of offshore finance to the Cayman Islands and other Overseas Territories was addressed by the administering Power in the above-mentioned White Paper, as follows:

> "5.4 The development of sizeable financial sectors brings risks of abuse. There have already been a number of problems. Where these have surfaced, they have been dealt with, and steps taken to strengthen the systems to prevent any recurrence. The process of building suitable defences against abuse is dynamic. As markets develop and techniques for laundering money, fraud, tax evasion and regulatory abuse evolve, so financial regulatory systems must improve, be updated and be responsive to ever tighter international standards.
>
> ...
>
> "5.8 Any participants in the international financial services industry must meet the corresponding international standards of good practice. The globalization of international finance means that the whole system has to be protected. It is in all our interests to ensure that the Overseas Territories are not the subjects of complaints and that they have proper regulatory regimes in place. ..."

24. According to information provided by the administering Power, the Cayman Islands was the first member of the Caribbean Financial Action Task Force. According to press reports, the Cayman Islands was the first Task Force member to open itself to, and pass, an evaluation of its anti-money laundering laws. In March 1999, the Task Force launched a new US$ 7.2 million anti-money laundering programme. The programme, funded by the European Union, the United Kingdom and the United States, will strengthen the institutional capacities of Caribbean countries to fight financial crime by facilitating prevention, investigation, and prosecution.[9] According to press reports, the Government of the Cayman Islands agreed to allow a review of its financial systems by the United Nations Global Programme against Money Laundering. The Cayman Islands is the first offshore financial centre to seek certification under the Global Programme's Offshore Initiative, which was launched in May 1999.[10]

D. Agriculture, livestock and fisheries

25. Agricultural activities, limited by infertile soil, low rainfall and high labour costs, have nearly doubled over the past five years with 10 large farms totalling over 100 acres now in service. Agricultural products include bananas, tomatoes, lettuce, honey, mangoes, citrus fruits, various

vegetables and coconuts. Livestock rearing consists of beef cattle, poultry and pigs. Responsibility for regulating and developing the agriculture sector rests with the Cayman Islands Department of Agriculture. The Department provides advisory and technical services in crop and livestock husbandry, carries out extension activities, conducts and monitors the practice of veterinary medicine and sells agricultural equipment and supplies. The Department also participates on the board of the Cayman Islands Farmer's Cooperative Society Limited, assisting it with strategic and operational matters.

26. In 1997, the Farmer's Cooperative exceeded its revenue targets by nearly 5 per cent, earning total revenues of US$ 1,676,400, a 30 per cent increase compared with 1996. The majority of this increase was derived from retail operations, which grew by 53 per cent in 1997, to US$ 1,142,068. The wholesale operation remained stagnant, at US$ 527,421.

E. Construction

27. The construction sector continued to boom. In early 1999 approximately CI$ 250 million worth of projects were approved or under construction. In 1998, the Central Planning Authority approved 1,095 applications, an increase of 28.9 per cent over the 849 applications approved the previous year. The estimated value of projects approved in 1998 declined to CI$ 264 million from CI$ 290 million in 1997. Builders say the decline is due to more conservative estimates, rather than actual costs. Approximately 2,800 workers are employed by the industry, a jump of nearly 48.7 per cent compared with five years ago.

28. According to the President of the Society of Cayman Builders and Contractors, as cited in press reports, the small Caymanian-owned construction companies are getting little of the large construction contracts. There is also a fear that development might outstrip the infrastructure of roads, sewers, water and utilities.[11]

F. Shipping registry

29. A key developing industry in the Territory is the registry of ships. According to information provided by the administering Power, 1997 was a year of consolidating the important gains in tonnage registered in 1996, when the registry opened an office in London. Nonetheless, there were 189 new registrations in 1997. The cumulative total of vessels in the register reached 1,047, of which 152 were commercial ships. In particular, yacht registrations increased greatly. There are now 250 yachts over 100 feet long registered in the Territory. The Cayman Islands has as a result become the world's leading offshore registry for these luxury yachts. The registry began to comply in 1997 with the international quality standard ISO 9002 set by the International Standards Organization, and expects to be fully compliant before the end of 1999.

G. Manufacturing

30. There is some light industry, encouraged by incentives legislation that has been in force since 1950. Products include building materials, jewellery, printing, furniture and chemical processing. Approved manufacturing ventures are exempt from import duties.

IV. Social conditions

A. Social security

31. According to the administering Power, the aim and effect of legislation and action by the Government in the social sphere is to create a society in which individual effort is rewarded while a cushion is provided, often with voluntary help, for the less fortunate.

32. To that end, the Department of Social Services provides the majority of social assistance in the Territory. In November 1997, the Department came under the responsibility of the Ministry of Health, Social Welfare, Drug Abuse Prevention and Rehabilitation. It had previously been the responsibility of the Ministry of Community Development. Throughout 1997, the Department continued to carry out a variety of programmes aimed at alleviating the condition of the less fortunate. The programmes included case work, counselling, child abuse investigations and financial assistance with housing, school lunches, food and burials. Financial assistance was the most requested service.

33. The period under review also saw the transfer of probation services from the courts administration to the Department of Social Services, and with that transfer the establishment of a probation/aftercare unit. Services provided by the unit include: preparation of social background or social inquiry reports for the criminal courts' supervision and monitoring of offenders subject to probation and attendance orders; assisting with legal aid investigations and applications; and assisting the courts in arranging psychiatric assessments and substance misuse assessments.

34. Children's services carried out by the Department include adoptions, foster care and the operation of several children's homes. The Department also implements an Adult Special Needs Programme, which provides care and services to meet the needs of vulnerable elderly, homebound and physically and developmentally disabled persons.

35. Finally, many social concerns are addressed by numerous voluntary and service groups. Many of these are dedicated to specific causes, such as drug prevention and rehabilitation, cancer and the prevention of cruelty to animals. These groups are supported mainly by donations from the Government, the private sector and individuals, and are generally staffed by volunteers.

B. Basic human rights

36. The Territory is subject to several major human rights conventions that were acceded to by the administering Power. These include the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child and the Second Optional Protocol to the International Covenant on Civil and Political Rights (aiming at the abolition of the death penalty).

37. The administering Power identified, through its above-mentioned White Paper, several human rights issues on which it would like to see reforms, in particular on homosexuality and capital punishment.

38. Regarding homosexuality, the administering Power stated:

> "4.5 We believe that all of the Overseas Territories should enact legislation similar to the United Kingdom Sexual Offences Act 1967, which legalized homosexual acts between consenting adults in private. None of the Caribbean Overseas Territories has brought its legislation into line with the Act, though prosecutions in recent years have been rare. In some of the Caribbean communities there is particularly strong opposition to homosexuality, based upon firmly held religious beliefs."

39. According to press accounts, the territorial Government rejected the idea of reform with the following statement:

> "This Government and the people of the Cayman Islands will oppose local legislation to legalize homosexuality. ... The Government's position on homosexuality is clear. We abide by the views of the vast majority of Caymanians who live in a Christian community and based upon firmly held religious beliefs that homosexuality should not be legalized."[7]

In 1998 the Cayman Islands refused landing rights to a cruise ship, on the grounds that its 900 gay passengers could not be expected to uphold appropriate standards of behaviour.[12]

40. The White Paper also noted that the administering Power expected all Overseas Territories to remove capital punishment for treason and piracy from their statute books. The Government of the Cayman Islands responded: "Capital punishment for treason and piracy is derived from English common law and are not crimes that there have ever been any prosecutions for. Thus, the abolition of the death penalty and substitution of life imprisonment for treason and piracy will have no effect in practice."[7]

41. The Territory, otherwise, has a wide array of laws and in- .tutions to protect certain human rights. These are described below.

C. Maternity protection

42. According to the administering Power, under the Health Services (Fees) Regulations of 1975, contraceptive services are provided free of charge, in addition to free antenatal service, which is already being provided to all residents irrespective of nationality.

43. The Labour Law provides for 12 weeks of mandatory maternity leave in a year, after 12 months of service, of which four weeks will be paid leave. The leave entitlement is on a pro rata basis for workers with less than 12 months of service. The General Orders (which regulate terms and conditions of employment in the civil service) have been amended to provide for 12 weeks of maternity leave to women in the civil service who have completed 12 months of service.

D. Protection of children and young persons

44. The Youth Justice Law of 1995 is considered the main instrument in this area. In addition, other relevant laws are the Adoption of Children Law (Revised); the Education Law of 1993 and the 1971 regulations; the Guardianship and Custody of Children Law (Revised); the Juveniles (Joint

Trials with Adults) Law; and the Legitimation Law (Revised).

45. Measures to protect children and young persons from exploitation are provided by the Juvenile Law. The National Council for Social Services, a voluntary body subsidized by the Government, runs a number of pre-school facilities and gives support in various ways to the children of broken homes. The Youth Justice Law places restrictions on the employment of children. The school-leaving age is 15 years and 9 months.

E. Employment

46. The Department of Human Resources is charged with administering the Labour Law. The Law governs the terms and conditions of employment in the Territory. In carrying out that function the Department, *inter alia*, provides remedies for resolution of unfair dismissal and other labour-related disputes; outlines procedures for employers to discipline employees who are guilty of misconduct; provides for the health, safety and welfare of employees; and facilitates the employment of Caymanians. In 1997, the Department handled approximately 250 complaints.

F. Right to adequate food

47. The administering Power stated that the Government of the Territory had also seen no need to legislate on the right to adequate food, preferring the practical course of extending the already wide range of basic foodstuffs exempt from the import duty tariff, which provides much of its revenue. The list of duty-free imports now includes milk, rice, raw sugar, wheat flour, potatoes, all poultry, salt beef, salt fish, cheese, coffee and cornmeal.

48. According to the administering Power, knowledge of the principles of nutrition is disseminated through social education in schools, by public health nurses in government health centres and through articles in the local press. Educational programmes on nutrition are organized through the hospital nutritionist.

G. Right to adequate clothing

49. According to the administering Power, no laws have been considered necessary to ensure the right to adequate clothing. Distribution of clean used clothing to needy families is undertaken by voluntary bodies such as service clubs. The Department of Social Services provides free school uniforms and other clothing to children in foster care or in children's homes, as well as to other children whose families are financially unable to provide adequate clothing for them.

H. Housing

50. According to the administering Power, no law proclaims a right to housing, but the Housing Development Corporation Law of 1981 provides for the promotion of housing development by extending mortgage loans to residents in the low- to middle-income bracket. In 1997 the Housing Corporation continued to concentrate its efforts on the retirement of its 5 and 7.5 per cent fixed interest bonds. By the end of the year 99 per cent of the bonds had been redeemed. Preliminary discussions were held with the Caribbean Development Bank on the possibility of obtaining a line of credit for a special mortgage programme for lower income Caymanians. The Bank was expected to appraise the programme in 1998.

51. The Government guarantees home mortgages for low- to middle-income housing. Under the Home Mortgage Scheme, local banks provide up to 100 per cent financing on the strength of a 35 per cent government guarantee. Applicants must be Caymanians with incomes lower than US$ 60,000 per year. In 1997, 71 applications were processed, representing a slight decline over previous years, partly owing to a lack of affordable units available.

52. There is a building code, which includes provisions to meet earthquake and hurricane hazards and other public safety concerns. An electrical code and plumbing policies have been established, including licensing and inspectorate provisions.

I. Public health

53. Health care in the Cayman Islands is administered by the Ministry of Health, Social Welfare, Drug Abuse Prevention and Rehabilitation through the Health Services Department and the Cayman Counselling Centre. A Health Services Board is in place to register private health practitioners.

54. According to information provided by the administering Power, life expectancy at birth is 77 years in the Territory. The major causes of death were diseases of the circulatory system and malignant neoplasms. In 1997 there were 572 live births and one neonatal death.

55. A new hospital was opened by the Health Services Department in George Town in April 1999. The hospital, which cost just under US$ 30 million, was the largest ever undertaken by the Government of the Cayman Islands. The facility includes a state-of-the-art, fully staffed Accident and Emergency Room.[7] Otherwise, there is a 59-bed hospital in George Town and an 18-bed hospital on Cayman Brac, and several district health centres and clinics. In 1997, there were 36 doctors in government service, including 3 based on Cayman Brac. There were, in addition, four dentists in government service. Specialist services are available in surgery, gynaecology and obstetrics, paediatrics, internal medicine, anaesthesiology, public health, orthopaedics, ophthalmology, ear, nose and throat, and periodontology.

56. Hospital admissions in 1997 totalled 3,877, on a par with 1996 figures. Outpatient visits in 1997 totalled 55,970, and ambulance calls numbered 2,155.

57. According to press reports, 26,000 people in the Territory are covered by health insurance. Of those, about 10,000 are covered by the Government itself. As a result, most residents have at least minimal health care coverage.[7] A health insurance law passed in 1997 established a system of compulsory health insurance for all residents.

58. The incidence of communicable disease is generally low. The prevalence of sexually transmitted diseases, however, is a concern of the local Government. According to information provided by the administering Power, at the end of 1997, 18 persons had died from acquired immunodeficiency syndrome, 5 were fighting the disease and 20 were infected.

59. Immunization coverage exceeds World Health Organization targets. Immunization rates were as follows: poliomyelitis, 96.3 per cent; diphtheria/whooping cough/tetanus, 95.3 per cent; haemophilius influenzae B, 96 per cent; and measles/mumps/rubella, 92.5 per cent.

60. In 1997, a national drug council law was passed, establishing the National Drug Council as an independent, non-profit statutory corporation with the mission of coordinating anti-drug efforts in the Territory. The Council was given the authority to develop policies and programmes to directly reduce the supply and demand of drugs. It is responsible for coordinating the implementation of the Cayman Islands National Strategic Plan for Drug Abuse Prevention and Rehabilitation. It is also charged with looking at ways to curb substance abuse through law enforcement, treatment and rehabilitation, education, public information and community support programmes.

61. According to information provided by the administering Power, public health concerns are covered by two separate departments, the Public Health Service, and the Environmental Health Department (which operates under the administration of the Ministry of Agriculture, Environment, Communications and Works).

62. The Public Health Service, which functions under the responsibility of the Ministry of Health, Social Welfare, Drug Abuse Prevention and Rehabilitation, is responsible for primary health services dispensed at district health centres and through various community health programmes. In addition to the community health nursing staff, the team of public health officers includes three district medical officers, a health promotion officer, a genetics counsellor, a nutritionist and a dietitian. Public health services include:

(a) Health advice and necessary vaccines to international travellers;

(b) Antenatal, post-natal and family planning services (available free of charge to all residents);

(c) Haemoglobin electrophoresis testing for sickle cell disease for all newborns (initiated in 1997);

(d) Health assessments, including vision and hearing tests for children entering school;

(e) Full immunization of children;

(f) Regular nutrition and dietary counselling clinics.

J. Crime and public safety

63. According to information provided by the administering Power, the number of reported offences increased in 1997 to 3,307 from a 1996 rate of 3,097. Of the reported crimes in 1997, 1,229 (37.1 per cent) were for drug offences. The remainder were for offences against public order, property, persons, etc.

64. According to the World Prison Population List, the Cayman Islands has an unusually high prison population rate. The Territory has 575 per 100,000 people incarcerated, while the Russian Federation, the country with the highest proportion of people in prison, has 685 per 100,000. The average incarceration rate for the Caribbean region was 330 per 100,000.[7] In 1997, nearly 38 per cent of total convictions were for drug offences; and approximately 22 per cent were for burglary and/or robbery. The average daily cost of maintaining an inmate was CI$ 54.29, a 4.3 per cent decline from 1996.

V. Educational conditions

65. As a result of the 1983 Education Law, education is compulsory for all resident children between the age of 4 years 9 months and 16 years. The Government is directly responsible for education within this age group, although it encourages and supports pre-school and tertiary education as well. The education sector is overseen by the Ministry of Education, Aviation and Planning. Within the Ministry is an Education Council responsible for promoting education and developing schools within the Education Law. The duties of the Council include providing for public education, determining the conduct of examinations, licensing teachers, and providing funds for students who wish to pursue higher education. The system and curriculum are similar to the British ones, although the Caymanian system has added some flexibility to allow students to successfully enter American colleges as well as British ones. Two public institutions and one private school provide tertiary education. The Community College of the Cayman Islands is government-owned but independently administered. The Cayman Islands Law School is also government-owned, while the College of the Cayman Islands is private.

66. In 1997, the Education Council awarded 33 scholarships to students for overseas study.

67. The Government currently operates seven primary schools, one middle school and one alternative education centre on Grand Cayman, as well as three primary schools and a high school, which incorporates the middle-school level, on Cayman Brac. Tuition is free for Caymanians at those schools. In addition, 10 private schools provide primary and/or secondary education. All private schools are monitored by the Education Department. In 1997, total enrollment was 3,831 in government schools and 1,861 in private schools.

68. According to the administering Power, in 1997, educators reported significant improvement in areas such as parent involvement, discipline, community assistance, resources, training of staff and student performance.

69. Also in 1997, the Government initiated a plan to air-condition all schools. Air-conditioning had been installed in three high schools by the end of the year. Construction began on a two-classroom addition to a primary school on Cayman Brac.

VI. Future political status

A. Position of the administering Power

70. In March 1999, the Government of the United Kingdom presented to Parliament a White Paper entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories". The text of the White Paper is set out in the annex to document A/AC.109/1999/1. Key recommendations are noted below:

(a) In future the Territories would be known as the United Kingdom Overseas Territories, in short Overseas Territories;

(b) British citizenship (and so the right of abode) would be offered to those people of the Overseas Territories who did not already enjoy it and who met certain conditions;

(c) Those who did not want to take it up would be able to remain British Dependent Territories citizens;

(d) British Overseas Citizens would not be included in this offer, nor would it apply to people who owed their British Dependent Territories citizenship to links with the British Indian Ocean Territory or the Sovereign Bases on Cyprus;

(e) The offer of citizenship would be on a non-reciprocal basis (as far as the right of abode is concerned). No conditional links have been made between the offer and other obligations set out in the White Paper;

(f) Administrative and representational arrangements would include:

(i) The establishment of parallel Overseas Territories structures in the Foreign and Commonwealth Office and the Department for International Development;

(ii) The appointment of Baroness Symons as Minister with responsibility for the Overseas Territories;

(iii) The creation of an Overseas Territories Consultative Council to bring together British Ministers and the Chief Ministers of the Overseas Territories or their equivalents;

(iv) The designation of a First Secretary in the office of the Permanent Representative of the United Kingdom to the European Union as the point of contact for the Overseas Territories with the European Union;

(g) In terms of good governance, provision would be made for:

(i) Improved regulation of the financial service industries in the Overseas Territories to meet internationally acceptable standards and to combat financial crime and regulatory abuse;

(ii) Measures to promote greater cooperation with international regulators and law enforcers so as to share information and improve worldwide financial regulation;

(iii) Enhanced measures to combat drug trafficking and drug-related crime;

(iv) Reform of local legislation in some Territories to comply with the same standards of human rights as those existing in the United Kingdom with regard to capital punishment, judicial corporal punishment and consensual homosexual acts. If local action is not taken Her Majesty's Government would enforce the necessary changes;

(h) Measures for sustainable development would include:

(i) Partnership between Her Majesty's Government and the Overseas Territories to promote economic growth and self-sufficiency;

(ii) Confirmation that the reasonable assistance needs of the Overseas Territories would be a priority in the development programme;

(iii) Continued budgetary aid for Montserrat and St. Helena;

(iv) Strengthened procedures and guidelines on borrowing by the Overseas Territories;

(v) Enhanced policies, legislation and standards for the protection and management of the rich natural environment of the Territories;

(vi) Increased funds (£1.5 million over three years) to assist in creating and implementing integrated environmental programmes;

(vii) Agreement of an environmental charter between the United Kingdom and the Overseas Territories;

(viii) Technical support, training and cooperative schemes to build local capacity to manage and monitor the environment.

B. Action by the General Assembly

71. On 3 December 1998, the General Assembly adopted, without a vote, resolution 53/67 B, section V of which particularly concerns the Cayman Islands.

Notes

[1] The working paper is based on information provided by the administering Power under Article 73 *e* of the Charter of the United Nations, as well as from published sources.

[2] *Cayman Islands 1997, Annual Report and Official Handbook* (published by the Government of the Cayman Islands), August 1998.

[3] The local currency is the Cayman Islands dollar (CI$ 1.00 = US$ 1.29).

[4] *Caribbean Insight*, March 1999.

[5] *Reuters*, 8 February 1999.

[6] *Caribbean Insight*, March 1999.

[7] *Caymanian Compass*, 1 April 1999.

[8] *Economist Intelligence Unit*, 3 February 1999.

[9] *Oxford Analytica*, 29 March 1999.

[10] *The New York Times*, 25 May 1999.

[11] *Caymanian Compass*, 3 March 1999.

[12] *Reuters*, 1 April 1999.